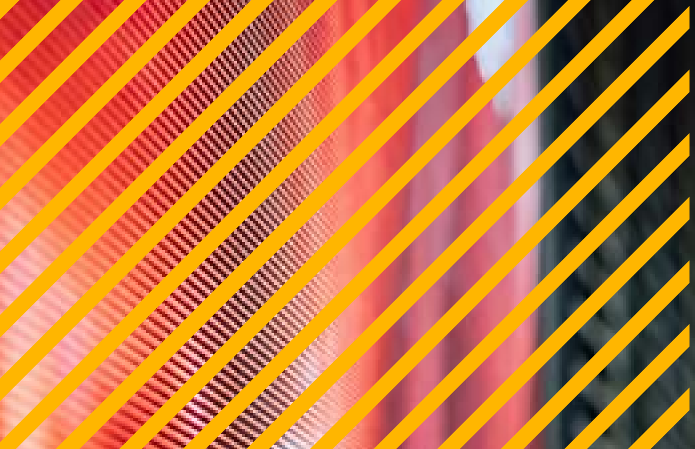
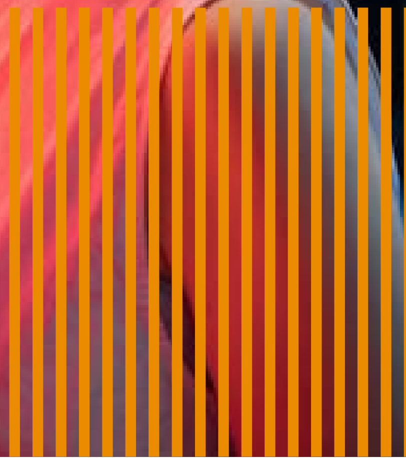
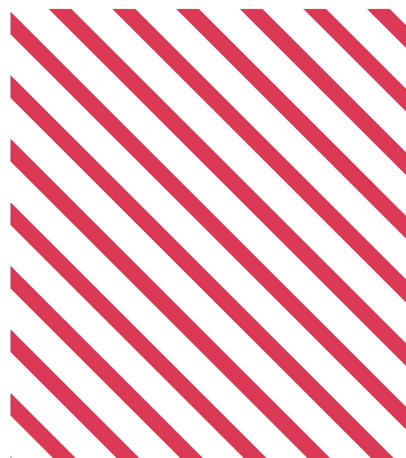




Financial Reporting Update 2024

Year-end reminders for 30 June 2024



Here is a quick guide of things to think about for the 30 June 2024 reporting season

This document highlights the key areas that might impact companies for the 30 June 2024 reporting season, including areas of focus for ASIC, general hot topics in the market, accounting changes from standard setting and other regulatory changes. We recommend you scan through the list to identify what might be relevant and take a deeper dive through the linked guidance where needed.

Note: Some of the PwC content available via the links provided below will require a free registration to Viewpoint. Follow this **link** to register.

What's the issue?	Points to consider and where to go for more help
	Focus areas and hot topics
What are ASIC's areas of focus?	ASIC has announced its focus areas for directors and auditors for June 2024 through this media release: **ASIC announces 30 June 2024 focus areas and expanded program to support financial reporting and audit quality**. Aside from the recurring themes of asset values, adequacy of provisions, subsequent events and disclosures, ASIC also highlighted the expansion of its surveillance coverage to include previously grandfathered proprietary companies (to follow up instances of non-lodgement and non-compliance), and superannuation funds. ASIC publishes a press release when a company restates their financial statements as a result of an ASIC enquiry. These releases also provide insights into their areas of focus. Press releases issued in the past 12 months relating to accounting and financial reporting matters include: • **Change in accounting policy to recognise revenue from the sale of software products as an agent rather than a principal** • **Adequacy of provisions for liabilities and asset valuation** • **Improved disclosure of unbilled disbursements and disbursements funding interest** • **Improvements to risk disclosures, including sustainability-related risks** • **Derecognition of trade receivables and deferred revenue on the balance sheet** • **Preparation of consolidated financial statements for Australian entities with foreign subsidiaries**
Have you disclosed material business risks in your Operating and Financial Review?	The Operating and Financial Review (OFR) is a key part of reporting for listed entities. It must set out information that users would reasonably require to assess an entity's operations, financial position, and business strategies and prospects for future financial years. This commentary must also identify material business risks that could adversely affect the achievement of the financial performance or financial outcomes described. Over the past few years, numerous companies have been required to include greater disclosure of business risks in their OFR in the directors' report, including remediation through separate market announcements, statements at AGMs or reissuing the director's report. See the following guidance for further information in this area **Material business risk disclosure** as well as **ASIC Regulatory Guide 247— Effective disclosure in an Operating and Financial Review**.
What should be remembered when assessing impairment of non-financial assets?	Impairment is an ongoing area of concern for many entities in the current economic environment. Regulators remain focused on this area and continue to push for increased transparency in disclosures. Groups holding significant amounts of goodwill and intangibles, or those that are affected to a greater extent by climate change, inflation or global conflicts, are at greater risk of a regulatory challenge to their impairment assessments and related disclosures. Refer to this document for key impairment reminders **Impairment of non-financial assets — common mistakes** The impact of climate on your financial report is also considered below.

What's the issue?	Points to consider and where to go for more help
Contingent liabilities and provisions — are they appropriately measured and disclosed?	ASIC has focused recently on the adequacy of provisions and clarity in the disclosures of the financial effects of contingent liabilities. It's important that entities not default to a conclusion that a provision cannot be reliably measured or that a cash outflow is not probable until near settlement. AASB 137 Provisions, Contingent Liabilities and Contingent Assets (AASB 137) is clear that provisions should be recognised except in the **extremely rare circumstances** where no reliable estimate can be made. Where a contingent liability does exist, AASB 137 requires disclosure of the estimated financial effect. Companies should ensure completeness and appropriate measurement/disclosure of other provisions such as make-good/restoration and legal provisions.
Are your receivables and deferred revenue inappropriately grossed up on the balance sheet?	If customers are billed in advance of providing goods/service, it's important to consider when to recognise a receivable and deferred revenue. Where goods and services have not been transferred to a customer, AASB 15 Revenue from Contracts with Customers is clear that deferred revenue is recognised when a payment is received or the payment is due from the customer (whichever is earlier). See ASIC release above in relation to a restatement arising from this matter.
Are you impacted by rising inflation and interest rates?	Inflation and interest rates can be a significant source of estimation uncertainty and can have a material impact on the carrying amount of assets and liabilities. Whilst for a number of jurisdictions recent spikes in inflation and interest rates may now be stabilising or decreasing, entities may still be exposed to additional risks in this regard and may continue to need to update judgements and estimates, as well as related disclosures. Entities may also need to update sensitivity analysis to reflect a widening reasonable possible range for interest rate changes, and still need to consider the impact inflation and rates have had on their 30 June reporting. See **Navigating IFRS Accounting Standards in periods of rising inflation and interest rates** for details.
Have you considered the impact of climate change on your financial report?	Climate change is a business risk that not only impacts disclosure within the OFR but might have a direct impact on the financial statements — measurement and/or disclosure. It is important that the financial statements tell a consistent story of any impacts of climate related matters or commitments stated in the OFR. Refer to PwC's publications: • **Impact of ESG matters on IFRS financial statements** • **Value accounts: Appendix E: Impact of climate change on the financial statements (from page 227)** • **Impact of climate change on cash flow projections and IFRS impairment disclosures**

What's the issue?	Points to consider and where to go for more help
What are the accounting implications of participating in a voluntary carbon offset arrangement?	Companies are increasingly participating in voluntary arrangements to offset emissions. This is a new and evolving area. See **PwC In depth - IFRS considerations for entities participating in a voluntary carbon market** to understand the key accounting considerations for these voluntary arrangement.
Do you make statements about your products being environmentally friendly, sustainable or ethical?	ASIC has issued this information sheet (INFO 271) **How to avoid greenwashing when offering or promoting sustainability related products** where they discuss concerns relating to greenwashing. Greenwashing is where companies misrepresent how sustainable their products or investment strategies are, or misrepresent the steps they have taken to verify the sustainability claims they are making. This continues to be an area of focus for ASIC where they have commenced civil proceedings against a number of entities. See further **ASIC's recent greenwashing interventions**.
Are you impacted by Pillar Two tax obligations?	In October 2021, over 135 jurisdictions agreed to update the international tax system to ensure that large multinational enterprises pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate — referred to as Pillar Two. The new tax is continuing to be enacted in various jurisdictions around the world with various effective dates. In March 2024, exposure draft legislation to implement a global and domestic minimum tax in Australia was released for consultation by Treasury. Refer to PwC's **Tax Alert** for additional information. Although exposure draft legislation has now been released in Australia, this should not amount to substantive enactment of the rules, which is a relevant threshold for considering the application of financial accounting standards and required financial statement disclosures. Substantive enactment in Australia typically requires legislation to have passed both houses of Parliament. The status of the draft legislation will need to be monitored as we approach 30 June 2024. Amendments have been made to AASB 112 Income Taxes to provide relief from accounting for deferred taxes arising from the OECD's Pillar Two international tax reforms. However, the amendments introduce target disclosure requirements for impacted companies to enable users to understand actual and expected impacts. See guidance at **Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures**. See also PwC's Pillar Two guidance and tracker as to the status of enactment in countries around the world for more information: **Pillar Two Country Tracker**.

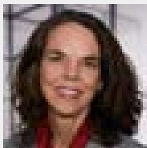
What's the issue?	Points to consider and where to go for more help
Is your subsidiary's functional currency hyper-inflationary?	Based on the current global economic environment and following deteriorating economic conditions, Ghana and Sierra Leone are now considered to be hyper-inflationary for the purpose of IAS 29 for reporting periods ending on or after 31 March 2024. Yemen is no longer considered to be a hyper-inflationary economy from 30 June 2024. However, entities should consider any significant events or conditions that might contradict this conclusion between now and the end of June 2024. There have been no other changes in hyper-inflationary economies for the period 1 April 2023 to 30 June 2024. Egypt, Lao P.D.R and Malawi are expected to become hyper-inflationary by end of 2024. Refer to PwC's **In brief** for a complete list of hyper-inflationary countries and those on the watch list as at 08 May 2024.
Have you missed any of these often overlooked items?	It is often easier to review accounting entries that have been posted rather than identifying entries that should have been posted but were not. Here is a list of key reminders on what not to miss to assist preparers in ensuring these accounting items are properly reflected in the financial statements. • Liabilities for financial guarantees especially in parent entities • Provisions for onerous contracts • Provisions for restoration • Liabilities for share repurchases • Structured entities — unconsolidated SPEs might exist that should be consolidated • Implied leases • Share-based payment charges in subsidiary financial statements See PwC's In depth here: **Accounting items you cannot see**.
	Other regulatory considerations
Are you a listed or unlisted public company? If so, you should ensure that you are aware of the new Corporations Act requirements with respect to the new Consolidated Entity Disclosure Statement.	In March 2024, the Federal Government passed the Treasury Laws Amendment Bill 2023. The legislation amends the Corporations Act 2001 to require Australian public companies to disclose information (including place of incorporation and tax residency) about their subsidiaries in their annual financial reports by way of a 'consolidated entity disclosure statement'. The legislation will apply for the first time for financial years ending 30 June 2024. While this is an evolving area, refer to PwC's current guidance document, **Disclosure of tax residence of subsidiaries in the financial report** for a summary of the requirements.
Are you aware of the amended reporting requirements impacting registrable superannuation entities?	Registrable superannuation entities with a period end of 30 June 2024 and beyond, are now required to prepare audited annual reports and lodge them with ASIC within three months of their year end in accordance with the Corporations Act. Refer to PwC's guidance: **Important changes to financial reporting and audit requirements for registrable superannuation entities**, which provides a summary of the reporting and audit obligations which are now applicable.
Are you an APRA regulated entity?	**Prudential Standard CPS 511** has been issued for APRA-regulated entities and requires these entities to maintain remuneration arrangements which appropriately incentivise individuals to prudently manage the risks they are responsible for. The standard is effective from 1 January 2023, depending on the type of entity, and whether they are a Significant Financial Institution as defined in the guidance. Companies should ensure they have considered the accounting impacts of any changes to remuneration arrangements, including disclosure and reporting in the remuneration report.

What's the issue?	Points to consider and where to go for more help
	Developments in standard setting
What's new in standard-setting that is effective for 30 June 2024 year-ends?	See amendments worth noting for 30 June 2024 year-ends: • AASB 17 Insurance Contracts — Remember that it's not only relevant to insurers. See how it might impact you in PwC's publication: **IFRS 17 affects more than just Insurers** • AASB 112 Income Taxes was amended to: – Specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. See guidance at **Deferred tax related to assets and liabilities arising from a single transaction** – Give entities relief from accounting for deferred taxes arising from the OECD's Pillar Two international tax reforms. They also introduce target disclosure requirements for impacted companies. See guidance at **Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures**
What's new in standard-setting that is effective for 30 June 2024 interim financial reports (i.e., 31 December 2024 year-ends)?	The pronouncements that are effective for annual periods beginning on or after 1 January 2024: • Current/non-current presentation of loan arrangements: AASB 101 Presentation of Financial Statements was amended to address the classification of liabilities as current or non-current where conditions must be met and related disclosures for liabilities subject to such conditions. The amendments also change how equity conversion features impact current/non-current presentation. See **Amendments to IAS 1: non-current liabilities with covenants** for further details. • Sales leaseback transactions: AASB 16 Leases was amended in relation to the accounting for a sale leaseback transaction where the payments are variable. See **Lease liability in a sale and leaseback: amendments to IFRS 16** for further details. • Supplier finance disclosures: AASB 107 Statement of Cash Flows and AASB 7 Financial Instrument: Disclosures were amended to require new disclosures of supplier finance arrangements and the effects on an entity's liabilities, cash flows and exposure to liquidity risk. The following reliefs are available in the first year of application: – Comparative information (including opening balances) is not required to be disclosed in the initial year. – The new disclosure requirements are not required to be included in the interim period in the year of adoption (i.e., 30 June 2024 interim financial statements). See **It's time to get ready: new IFRS disclosures on supplier finance arrangements effective in 2024** for further details.
Other amendments and pronouncements available for early adoption are:	• AASB 121 The Effects of Changes in Foreign Exchange Rates was amended to address the accounting for a transaction or an operation in a foreign currency that is not exchangeable into another currency (effective for annual reporting periods beginning on or after 1 January 2025) See **Filling the gap in currency accounting: new IFRS requirements for lack of exchangeability** for further details.
Are you impacted by any decisions made by the Interpretations Committee (IFRIC) over the last 12 months?	It's important not to forget the matters that are debated by the Interpretations Committee. If they are relevant to you, their discussions may provide clarity as to how the matter should be considered. For a complete list of all agenda decisions, see: **Compilations of agenda decisions**. The agenda decisions over the past 12 months include the following topics: • If you are a parent entity that prepares separate financial statements for a merger transaction with your subsidiary, see the agenda decision: **Merger between a Parent and Its Subsidiary in Separate Financial Statements** which was published in January 2024 • If you have a supplier that provides a service to you using an asset, it is important to assess whether there is an embedded lease of that asset in the contract. This IFRIC provides guidance on the lease assessment where the supplier has the ability to substitute the asset it uses to provide the related service: **Definition of a Lease — Substitution Rights** • Are you an insurer using an intermediary to collect premiums? If so, the IFRIC provides their views on the accounting impacts here: **Premiums Receivable from an Intermediary**. Read also PwC's In brief on **IFRS Interpretations Committee concludes its latest insurance discussion: Premiums receivables from an intermediary** • Has your client committed to reducing its emissions? This IFRIC addresses whether an entity's commitment to reduce or offset greenhouse gas emissions creates a constructive obligation such that a provision should be recognised: **Climate-related Commitments** • Have you agreed to make payment to selling shareholders in a business combination that is dependent on continued service? This agenda decision confirms that such payments are post-combination remuneration. See **Payments Contingent on Continued Employment during Handover Periods**

What's the issue?	Points to consider and where to go for more help
What do I need to know about IFRS 18?	IFRS 18 Presentation and Disclosure in Financial Statements, which will replace AASB 101 Presentation of Financial Statements, was released by the IASB in April 2024. It is to be effective for annual reporting periods beginning on or after 1 January 2027 – once adopted into Australian Accounting Standards. Many principles in AASB 101 are retained and it will not impact recognition or measurement of items in the financial statements. However, the changes introduce a new defined structure to the profit and loss statement with the objective of achieving comparability. New disclosures will also be required for some management-defined performance measures to enhance transparency. See PwC's In briefs for further information: • **IFRS 18 is here: redefining financial performance reporting** • **IFRS 18 – Key treasury topics for corporate entities** • **IFRS 18 – Insights for financial services companies**
Where do I go if I want to learn more about sustainability reporting developments?	The sustainability reporting landscape is developing rapidly. Preparers may be caught by a combination of the recently released IFRS Sustainability Disclosure Standards, European Sustainability Reporting Standards, the **SEC's climate rule**, or **California's sustainability disclosure bills**. The first chapter of PwC's **Sustainability Reporting Guide** has now been released, which includes detailed guidance for entities to determine whether they are in scope of any of these reporting regimes. PwC's publication **Navigating sustainability reporting: Practical application and analysis** provides helpful insight and guidance on these three sustainability reporting frameworks. In Australia, standard setters and Government are preparing for mandatory sustainability reporting against Australian Sustainability Reporting Standards which use IFRS Sustainability Disclosure Standards as a starting point, to begin from 2025. For the latest developments in Australia, see PwC's **publication here**.

Contacts

Paul Shepherd
Partner, Corporate Reporting Services
M: +61 418 611 189
E: paul.a.shepherd@au.pwc.com



Erin Craike
Partner, Corporate Reporting Services
M: +61 415 598 440
E: erin.craike@au.pwc.com

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